

The Government would like to share the following clauses with the Contractors prior to Release of the formal RFP. The Nitrocellulose (NC) Reopener was not included in the draft RFP. The Economic Price Adjustment (EPA) for Copper has been revised since the draft RFP. Please provide any new comments/questions by Close of Business on January 26, 2011.

#### Nitrocellulose (NC) Re-opener

It is understood that the Offerors would not be able to obtain a firm price for Nitrocellulose (NC) prior to proposal submission due to the ongoing competition at Radford Army Ammunition Plant (RFAAP). Therefore, the Government is providing the following nitrocellulose price of \$3.75 per pound as the baseline for the development of the offerors proposal for this solicitation. This price shall be used for all years. Offerors are cautioned this is an estimate only and should not be used on any other procurement.

Once the RFAAP contract is awarded by the Government and an actual nitrocellulose price is available, negotiations will be held for the impact of the resulting St. Marks Powder (SMP) propellant price. This is limited to any change directly associated with the change in NC price. A onetime adjustment will be made for the change in the NC price for any quantities previously awarded and to adjust the price matrix for the option years. The adjustment may be upward or downward.

For any adjustment noted in the paragraph above, cost or pricing data subject to audit and technical reviews will be required.

#### ECONOMIC PRICE ADJUSTMENT (EPA) for Copper

- (a) The Economic Price Adjustment clause will only apply to the Option Years, no adjustment will be made on the award of the base quantity.
- (b) The Contracting Officer will utilize the price for copper as base lined in the Contractor's proposal to implement this clause. The Contractor must submit with the proposal sufficient documentation to support that price. This information should be provided in accordance with Section L of this solicitation and the Economic Price Adjustment (EPA) Worksheet (Attachment 0015). The amount of any increases or decreases in contract line item (CLIN) unit prices will be limited as specifically described in Paragraph (h) below, and thus, limited to the price of the actual fluctuation in material (copper) shown in Attachment 0015 only and shall not include such costs as labor, freight, overhead, G&A and profit.
- (c) If the Government determines to utilize the push/pull concept as detailed in the clause 52.217-6, titled, Evaluated Option for Increased Quantity, then the option clause would be applicable to the unit prices from the Small Caliber Second Source Price Matrix (Attachment 0009) prior to the implementation of this EPA clause.
- (d) The Contracting Officer will notify the contractor fifteen working days (15) calendar days prior to exercising any options. The contractor, within five (5) calendar days of issuance of the Contracting Officer's notice, shall notify the Contracting Officer using the Economic Price Adjustment (EPA) Worksheet (Attachment 0015) of any price increases or decreases related to copper, and shall provide sufficient data supporting the amount of increases or decreases. The option quantity (for which this clause applies, i.e. Option Years 1, 2, 3 and 4) exercised will be added by a contract modification at the CLIN price as provided in the Small Caliber Second Source Price Matrix (Attachment 0009) plus or minus the Contractor substantiated adjustment as noted above, based on the price fluctuation (increases or decreases) of copper, and as limited by Paragraph (h).

(e) The Contractor shall provide notice of increases or decreases related to copper and/or the sufficient data required by Paragraph (d) of this clause within the time specified in Paragraph (d) above.

(f) Within sixty (60) calendar days of a modification issued under Paragraph (d) of this clause, the Contractor shall submit the actual price paid for copper to the Contracting Officer with sufficient documentation to support that price. If the actual price paid for copper is less than the price for copper provided in accordance with paragraph (d) of this clause, the Contracting Officer will issue a modification adjusting CLIN unit prices for the option quantities exercised, as limited by Paragraph (h) below. This adjustment will be downward only. The modification will be made within thirty (30) calendar days of receipt of the data required under this Paragraph.

(g) If the Contractor fails to submit the data required by Paragraphs (e) and (f) of this clause within the time specified in Paragraphs (e) and (f), the Contracting Officer may suspend payments under the contract until the data is furnished.

(h) Any price adjustment under this clause is subject to the following limitations:

(1) Any adjustment shall be limited to the effect on the CLIN unit price resulting from the increases or decreases in the CLIN unit price for copper shown in Attachment 0015 only. There will be no adjustment for:

- (i) Supplies or services for which the production cost is not affected by such changes;
- (ii) Changes in the CLIN unit prices based on materials other than copper;
- (iii) Changes in the quantity of copper for the production of 5.56mm, 7.62mm or Caliber .50 cartridges under this contract other than those amounts provided in Attachment 0015; or
- (iv) Associated indirect costs (burden, freight (landed or delivered to the plant), overhead, G&A, etc.) or profit.

(2) There shall be no adjustment for any change in CLIN unit price(s) for material which would not result in a net change of at least one percent (1%) of the CLIN unit price as provided in the Small Caliber Second Source Price Matrix (Attachment 0009).

(3) The increase for copper for any option CLIN unit price made under Paragraph (d) of this clause shall not exceed ten percent (10%) of the firm-fixed CLIN unit price provided in the Small Caliber Second Source Price Matrix (Attachment 0009).

(4) There is no percentage limitation on the amount of decreases that may be made under this clause.

(5) Any adjustments to the CLIN unit price for option quantities will only be made in the times specified in Paragraphs (d) and (f) of this clause. The CLIN unit price for option quantities remaining available for option exercise after a modification issued pursuant to Paragraph (d) of this clause (remaining partial option quantities) will remain at the originally proposed firm-fixed CLIN unit price provided in the Small Caliber Second Source Price Matrix (Attachment 0009) and will be subject to applicable economic price adjustment in accordance with this clause at the time of any possible subsequent option exercise for those remaining quantities.

(i) The Contracting Officer may examine the Contractor's books, records, and other supporting data relevant to the cost of the material (copper) associated with this clause during all reasonable times until the end of the three (3) years after the date of final payment of this contract, or the time periods specified in Subpart 4.7 of the Federal Acquisition Regulation (FAR), whichever is earlier.